

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Robert L. Davis

**SUBJECT: AMENDMENTS TO THE 2008-
2009 PROPOSED FEES AND
CHARGES REPORT**

DATE: May 23, 2008

Approved

Christine J. Murphy

Date

5-23-08

RECOMMENDATION

- (a) Increase the Police Department's 2008-2009 General Fund Personal Services appropriation by \$232,728
- (b) Increase the Police Department's 2008-2009 General Fund Non-Personal/Equipment appropriation by \$15,022
- (c) Increase the revenue estimate in the General Fund for the Licenses and Permits category by \$247,750
- (d) Authorize the addition of 2.0 Senior Auditor positions in the Police Department Division of Gaming Control
- (e) Amend the Proposed 2008-2009 Fees and Charges Report to increase the Cardrooms Card Table Fee from the proposed \$26,681 per table to an adjusted proposal of \$31,027 per table.

BACKGROUND

The Gaming Control ordinance (Title 16 of the San José Municipal Code) contains 24 Chapters. The primary purpose of the ordinance is to maintain public confidence in the integrity of the cardroom operations by requiring strict regulatory controls and enforcement practices to carefully monitor gambling activities at the San José cardrooms. In the past, financial reviews were limited to tax related revenue and were narrow in scope. The new Title 16, the Minimum Internal Control Standards and Accounting Regulations, and the Responsible Gaming Program Regulation currently in the rule-making process mandate broader regulatory commitment in providing oversight over every aspect of the cardroom operations and those individuals licensed to own and/or to manage these establishments.

The Division of Gaming Control has the responsibility to ensure comprehensive safeguards for control of gambling in the City of San José. The safeguards are in place in order to protect the public interest in San José. The major functions of the Division include: criminal background investigations on applicants for work permits in order to work in cardrooms; detailed financial background investigations on persons applying for cardroom licenses; compliance reviews and

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auditing to assure compliance with Title 16, the Cardroom Tax Ordinance, and the Minimum Internal Control Procedures and Accounting Regulations; investigating and prosecuting violations of Title 16 of the Municipal Code and related violations of state gambling laws, prosecuting Regulatory Action [disciplinary] cases against licensees, and drafting the annual Cardroom Report for the City Council, which evaluates the impact of cardroom gambling on crime in the San José metropolitan area and regulatory issues that the Chief wishes to bring to the attention of the Council.

An increase in personnel would help ensure that the Division's responsibilities under Title 16 and the Minimum Internal Control Standards Regulations are met. The workload has grown exponentially while the number of personnel has remained constant for the past several years. The cardrooms have raised concerns about the time that it has taken for the Division to process license applications and this increase in personnel would assist the Division in addressing these concerns. An increase in personnel would permit additional compliance testing as well as speed up the processing of licensing investigations.

ANALYSIS

The Department requests to add two Senior Auditor positions in the Division of Gaming Control to meet its objectives of safeguarding the public, maintaining public confidence in the integrity of the cardroom operations, preserve the reputation of the City of San José, and to ensure the cardroom operations are conducted freely, honestly and free of corruptive and/or unsavory elements. Funding for this Division is recovered from table fees. As such, the recommendation includes an increase in the 2008-2009 proposed cardrooms Card Table Fee from \$26,682 to an adjusted proposal of \$31,027 to include the cost of these additional positions. The 2007-2008 Adopted Fee for the Cardrooms Card Table Fee was \$24,482 per table.


The addition of two Senior Auditor positions is critical to the success of the Division of Gaming Control. With the additional personnel, the Division will be better positioned to complete financial background investigations in a more expeditious manner; ensure that gaming licenses are granted only to those who are found suitable; accomplish its compliance review and audit objectives and requirements as outlined under Title 16 by performing on-site audits and reviews of each cardroom; and conduct adequate compliance testing of the Division's newly adopted Minimum Internal Control Standards and Accounting Regulations.

COORDINATION

This recommendation has been coordinated with the City Attorney's Office.



Jennifer Maguire
Acting Budget Director



Robert L. Davis
Chief of Police

DEPARTMENTAL FEES AND CHARGES

POLICE

Service	2007-2008 Adopted Fee	2007-2008 % Cost Recovery	2008-2009 Proposed Fee	2008-2009 Estimated Cost	2008-2009 Estimated Revenue		2008-2009 % Cost Recovery	
					Current Fee	Proposed Fee	Current Fee	Proposed Fee
PUBLIC SAFETY PERMITS - CATEGORY I								
4. Cardrooms								
2 Card Table Fee	\$24,482 per table		\$31,027 per table					
3 Cardroom License Application Fee Deposit Note: The amounts will be specified in a guideline Schedule of Costs and Charges that will be published, maintained, and updated by the Administer of Gaming Control.	Cost of application processing, investigation, and holding the licensing hearing before the Police Chief, billed at top salary step, including benefits and overhead, plus any actual costs such as, but not limited to, transportation, travel, and lodging for any City employees		No Change					
4 Cardroom Permit	\$1,000 per year		No Change					
5 Cardroom Permit Amendment Fee	\$5,000 per amendment		No Change					
6 Work Permit Fees - Employee Transfer Fee	See License/Permit Transfer Fee (Under Other Miscellaneous Permits/Fees)		No Change					
7 Work Permit Fees - Renewal	\$311 per renewal + fingerprint fees		\$307 per renewal + fingerprint fees					
8 Work Permit Fees - Work Permit	\$311 per initial issue + fingerprint fees		\$307 per initial issue + fingerprint fees					
Sub-total Cardrooms		100.0%		2,468,362	2,045,746	2,468,362	82.9%	100.0%
5. Concealable Firearms								
1 Concealable Firearms - Carrying Concealed Weapon	See fee structure per State law		No Change					
2 Concealable Firearms - Dealer Annual Renewal/Change of Location	\$400 per permit + any fee charged by the State Department of Justice		\$440 per permit + any fee charged by the State Department of Justice					